

## Eva Davis Discusses Raising Capital via Private Investment in Public Equity Deals with *MergerMarket*

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Private investment in public equity (PIPE) increased this year in response to the COVID-19 pandemic. Since March, a record number of companies have been rushing to raise capital so that they can survive the immediate impact of government shutdown orders and the longer-term effects of the recession caused by the pandemic. PIPE deals carry more expensive terms (for the company) than public offerings of debt, equity, and convertible notes (as they are often offered at a discount to the market price), so companies often explore alternative measures to boost liquidity before turning to PIPEs. *MergerMarket* reports that the number of PIPEs could increase going forward if market conditions deteriorate.

Eva Davis, co-chair of Winston & Strawn's global private equity practice and Los Angeles Office Managing Partner, tells *MergerMarket* that PIPE deals have the advantage of being flexible. The investments can be structured using preferred stock, common stock, warrants, redemption features, and rights to board seats.

Another advantage is that PIPE deals can be executed quickly, even overnight, following a week or two of preparation, Eva said. "I've not yet seen this in a large way. It's still pretty early." But Eva added, "I do think these are coming."

Many of the PIPE investments this year have involved investors that already had an equity stake or were previous investors in the companies raising the capital. Because the pricing of a PIPE is complicated, with embedded options and warrants, which are valuable because they have so much volatility. Eva said, "People who know the company are more likely to do PIPEs."

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Eva Davis